GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA

UNSTARRED QUESTION NO:5826
ANSWERED ON:03.05.2002
NEW FOODGRAIN POLICY
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Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

(a) whether the high level Committee constituted for formulating a new Food Grain Policy wasexpected to submit its final report to the Union Government by March, 2002;

(b) if so, whether the committee had infact submitted an interim report;

(c) the recommendations made in the interim report;

(d) the action taken by the Government on each of these recommendations; and

(e) the procurement price of wheat at present according this policy?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (SHRI PRADHAN)

(a): Yes, Sir.

(b): Yes, Sir.

(c): The recommendations made by the HLC in their Interim Report are given in Annex.

(d): Based on the recommendations of the HLC, the Government has taken the following steps:-

(i) A proposal to limit the statutory taxes and levies imposed by the States on MSP is under consideration of the Department.

(ii) The Department has issued instructions to the effect that quality norms should be strictly enforced and only Fair Average Quality(FAQ) grains should be procured. In unavoidable circumstances where FAQ norms are to be relaxed, the relaxation shall be accompanied by a full value cut.

(iii) Open Market Sale Scheme OMSS (Domestic) prices for wheat are being fixed by the High Level Committee of FCI after taking into account storage and transportation costs.

(iv) The Central Issue Prices (CIP) of wheat and rice for APL families were reduced and fixed at 70% of the economic cost with effect from 12.7.2001.

(v) The allocation of foodgrains for BPL families was increased from 20 to 25 kg per family per month, with the additional quantity also being supplied at BPL rate w.e.f. 12.7.2002.

(vi) With effect from 1.4.2002, the CIPs of wheat and rice for APL families have been reduced by Rs.100/- per quintals and the allocations for APL, BPL and Antyodaya families have been fixed at 35 Kg. per household per month.

(vii) Universal Public Distribution System (PDS) has been introduced in drought and other calamity affected areas from time to time.

(viii) Food for Work Schemes and Employment generation Schemes under the Sampoorna Grameen Rozgar Yojana (SGRY) have been started. Under Food For Work (FFW), foodgrains are being supplied to the State Governments free of cost.

(ix) Special steps have been taken to extend the reach of MSP operations in Assam, Bihar and Orissa.

(x) All licensing controls and restrictions on stock limits and movement have been removed.

(e): The procurement price of wheat during Rabi Marketing Season 2002-03 is Rs.620/- per qtl.

ANNEXURE

ANNEXURE REFERRED TO IN REPLY TO IN REPLY TO PART (c) OF UNSTARRED QUESTION NO. 5826 DUE FOR ANSWER ON 03-05-2002 IN THE LOK SABHA.

(I) RECOMMENDATIONS FOR IMMEDIATE-RUN

(1) Statutory levies imposed on purchase of food grains amount to as much as 12.5 per cent of the procurement price in certain States. The Committee recognizes that payments by the FCI as statutory levies to State Governments are essentially transfers from the Centre to State Governments and should be counted as such. It therefore recommends the elimination of such levies on food grain, an essential commodity. Till such time, the statutory levies charged by States should be settled separately between the Centre and the State Governments without involving FCI or its economic cost. This would require necessary amendments in the States` Sales Tax Acts. Alternatively, the amounts being implicitly transferred to States from the Central Government in the form of statutory levies may be transferred directly in the form of current transfers.

(2) The Committee notes with concern attempts by various producing State Governments to have the quality norms for purchase of food grain for the Central Pool relaxed from time to time. Many consuming State Governments have refused to accept such food grains for PDS distribution. The Committee therefore recommends that FAQ norms be strictly adhered to. If any State Government requests for relaxation of quality norms, this should be invariably accompanied by an appropriate price reduction besides exemption from statutory state levies.

(3) The MSP for paddy and the levy price for rice be fixed only for a single grade, as against Common and Grade `A` at present.

(4) OMSS prices should cover not only the acquisition cost but also, as far as possible, reflect fully the differences in costs of transport and storage at different points of sale. This should be at least FCI`s acquisition cost less statutory levies. Further, differentials across regions should be restored, and there should be a pre-announced graded escalation per quarter.

(5) In order to revive the offtake from PDS system, the APL population needs to brought into the net by reducing the APL price to 80% of the economic cost, excluding statutory levies or about 75% of the present economic cost including levies. The BPL price should be 50% of the economic cost, excluding the statutory levies. This would help improve the viability of the distribution network and thus improve BPL offtake as well.

(6) For the BPL families, the quota should depend on the number of members in a family. The Committee recommends that each BPL family be permitted to purchase up to 5 kg per person at the announced BPL price per month or an allocation of 20 kg per family whichever is higher. Any additional requirement may be provided at the APL price.

(7) For the areas covered earlier under the Revamped PDS (1775 blocks), and areas currently drought affected or ravaged by other natural calamity like floods, cyclones, earthquakes, etc., a universal PDS be introduced at BPL prices and quota.

(8) In the Revamped PDS areas, the Supplementary Nutrition Programme (SNP) of ICDS may be strengthened. Similarly, the Midday Meal Scheme could be strengthened by extending its coverage to secondary school students.

(9) The Committee strongly urges the Government to examine ways of expanding programmes of employment generation to create an effective demand for food grains.

(i) Ideally, a massive food for work type programs should be launched. The primary responsibility of launching these programs should rest with Ministry of Rural Development.

(ii) There may however be practical implementation problems in making payments in kind. In these cases, employment provisions with wage payments in cash may be increased simultaneously with an expansion in PDS supplies and strengthening of PDS network.

(iii) The existing restriction on employment in the Employment Assurance Scheme (EAS) to BPL cardholders alone should be removed immediately.

To facilitate speedier implementation of food for work schemes, an interim allocation of 2 to 3 million tonnes of food grains may be made available to the States at discounted BPL price .The main objective should be to supplement / amplify schemes currently undertaken by the States such as PM`s Sarak Rozgar Yojana.

II. RECOMMENDATIONS FOR LONG-RUN

The MSP should be announced before the sowing season on the basis of C2 cost of production (i.e., all costs including the imputed costs of family labour, owned capital, and rental on owned land) on the recommendations of the CACP. At this price the Central Government should undertake open ended purchase of FAQ of grains to assure growers an adequate return on their cost.

(2) The Central Government may purchase above MSP in situations where market conditionswarrant to make up any shortages in normative buffer stocks and to meet PDS requirements.This price should be determined by the FCI on the basis of market assessment in each year. And this should not form the basis of MSP for the next year.

(3) The Central Government should instruct its procuring agencies/ State Governments toextend their MSP operations more effectively to States / regions, such as Assam, Bihar, Orissa and Uttar Pradesh, where farmers have reported to have been receiving prices below MSP.

(4) There is a need for immediate action to reduce taxation on essential food items and to minimize barriers to private trade.

(5) The OMSS should not distort markets by selling grains at heavily subsidizedprices. The minimum price for OMSS should not be below the acquisition cost of FCI lessstatutory levies with additions for transport and storage costs in different regions and at different times of the year.

(6) The system of exports and imports of food grains should be based on a system of variable tariffs which should replace quotas. This is required for stabilization of prices in an open economy. Also, as far as possible, releases for exports from public stocks should be on best commercial terms.

(7) Decentralisation of the food grain procurement and distribution system is desirable provided this is seen as a means by which States can be given greater flexibility in design of their PDS and the FCI be given greater incentive for cost control, without the Central Government diluting its commitment to the requirements of price stabilization and food security.

(8) In principle, the Committee believes that dual / multiple prices in the PDS are distortionary and provide scope for leakages.

(9) The basic approach of the Committee is that barriers to trade in the grain market should be removed so as to make it more integrated nationally. The role of public intervention should primarily be to stabilize prices and that any system of price stabilization must be national in scope. Also, decentralization will be acceptable to the States only if this is carried out in a manner which does not involve the Centre passing on to them the fiscal costs that it bears currently. The Committee will elaborate on the above-mentioned issues in its final report.